AAHOA Points of Fair Franchising

POINT 1: EARLY TERMINATION AND LIQUIDATED DAMAGES

A. Voluntary Buyout or Involuntary Termination, and Liquidated Damages:

At the current time, if a franchise agreement is being terminated by either a Franchisor or Franchisee due to a voluntary buyout or involuntary termination, most Franchisors are assessing liquidated damages (LDs) at unfair and unreasonable rates that penalize the Franchisee. For example, many franchise agreements provide that the LDs will be calculated based on one of the following formulas: (1) by assessing a rate of $1,000 to $2,000 for each guest room of the Facility, or (2) by multiplying the average monthly Gross Room Revenues by the Royalty Fees payable in the remaining months of the franchise agreement, multiplied by the number of months until the Franchisee could have terminated the agreement without penalty, not to exceed 36 to 60 months. In the interest of fair franchising, a franchisee should only have to pay six months of royalty fees. Specifically, the Franchisee should be required to pay as LDs, and not as a penalty, the product of the average monthly Royalty Fees paid by the Franchisee during the prior 12 full calendar months (or the shorter time that the Facility has been in the system), multiplied by six (6) months. Further, in the event of an early termination, if a Franchisor has paid any “incentive” money to a Franchisee under the franchise agreement (including, for example, a development incentive advance, loan, or grant), the incentive money should be amortized over the total number of months of the term of the franchise agreement, and the repayment of any incentive money should be based on the number of months remaining under the agreement.

Commentary: The current provisions relied on by Franchisors for assessing LDs are punitive in nature, and not based on a reasonable estimate of the Franchisor’s probable losses from the early termination of a franchise agreement. Regrettably, most Franchisors have been unwilling to negotiate or change such provisions to provide for a fair and reasonable method of assessing LDs based on, among other things, the actual amount of monetary losses Franchisors have experienced in the past as a result of an early termination, or the average amount of time it will take a Franchisor to replace a terminated Facility. AAHOA's proposed method of limiting the LDs to six months of average monthly Royalty Fees for the subject Facility is fair and reasonable because it does not provide one side with a windfall or an unfair advantage over the other, and it compels both Franchisors and Franchisees to work together to avoid an early termination. Indeed, under AAHOA's method of assessing LDs, a Franchisor will have six (6) months to locate a replacement Facility of the same or a similar brand name as the terminated Facility before it faces the prospect of suffering any losses arising from an early termination. Moreover, a Franchisee will still be required to pay a significant sum of LDs, but will not be unduly penalized in connection with a voluntary buyout or involuntary termination of its franchise agreement.

If a Franchisor has given any "incentive" money to a Franchisee, that should not be used as a means of penalizing a Franchisee in the event of an early termination. Rather than requiring a full repayment, the amount should be amortized over the term of the agreement, and any monies that must be repaid should be based on the remaining months under the agreement.

B. Windows Provisions: Most franchise agreements contain "window" or "additional termination right" provisions, which allow the parties to terminate the agreement on specified anniversary dates (e.g., on the fifth, tenth or fifteenth anniversaries) after the opening date of the Facility, without having to pay LDs. Regrettably, many Franchisors have included "gotcha" clauses in their franchise agreements. These clauses preclude a Franchisee from terminating early if the Franchisee encountered monetary or operational problems at any time after the opening of the Facility, which resulted in an alleged uncured default or low scores on quality assurance (QA) inspections on two consecutive occasions.

Such "gotcha" clauses should be eliminated from the franchise agreements. A Franchisee should have the ability to terminate its agreement, with or without cause, and as a matter of right, on the specified anniversary dates by giving at least six (6) months prior written notice to the Franchisor. The only contingency for the exercise of the early termination rights should be that at the time of the proposed termination, the Franchisee is not in default, and has paid all fees due under the franchise agreement.

Commentary: In franchise agreements containing "windows" or "additional termination right" provisions, the types of "gotcha" clauses that are most unfair are those that explicitly state a Franchisee's rights will automatically terminate, without notice, if (1) the Franchisee fails to cure any default under the franchise agreement within the time permitted, if any, in the notice of default sent by the Franchisor, or (2) the Facility receives a poor score on a QA inspection, and then does not receive a higher predetermined score set by the Franchisor during a re-inspection of the Facility.

Consequently, in many situations, the fact that a Franchisee experienced financial or operational difficulties that resulted in a notice of default, or low QA scores, in the first few months or years after the opening of the Facility will forever preclude the Franchisee from being able to exercise its early termination rights without penalty. This is true even if the Franchisee subsequently pays all of its fees on a timely basis, and receives excellent QA scores for many years, before attempting to exercise its early termination rights. These gotcha clauses give the Franchisors with an unfair advantage, and should be eliminated from all agreements.

C. Early Termination for Underperforming Properties:

As discussed in Fair Franchising Point 3 below, Franchisors should issue minimum performance guarantees to Franchisees regarding the occupancy levels of their brand name hotels. In an attempt to address this issue, some Franchisors have adopted a "policy" that allows a Franchisee to terminate its franchise agreement without penalty if the Facility is underperforming and certain conditions are met. At a minimum, Franchisors should include the provisions of their fair franchising "policies" as contractual terms in their franchise agreements. These specific contractual terms should provide that the Franchisor will allow a Franchisee to terminate the franchise agreement without penalty if the property has achieved an occupancy rate (total occupied rooms divided by total available rooms) that is below fifty percent (50%) for a period of 12 months or more. There should be no restrictive or unnecessary conditions placed on a Franchisee's ability to terminate the agreement early for low occupancy rates.

POINT 2: IMPACT/ENCROACHMENT/CROSS BRAND PROTECTION

Franchisors should establish a fair and reasonable formula to protect a Franchisee's assets, and the formula should be included as a contractual provision in their franchise agreements. The formula should include the following important terms:

(a) Franchisors should grant each Franchisee contractual rights to a protected area or geographic "area of protection" (AOP) in which the Franchisor will not allow another Facility with the same or similar brand name as the Franchisee's hotel to operate. For example, if the Franchisee owns an "ABC Hotel," the Franchisor will not allow another Facility with the same name (i.e., ABC Hotel) or a similar name (i.e., ABC Hotel & Suites) to operate in the protected area or geographic AOP.

(b) Franchisors should be prohibited from licensing not only other franchised hotels with the same or similar brand name to operate in the protected area or geographic AOP, but also company-owned hotels.

(c) The Franchisee’s protected area or AOP should be maintained and recognized until such time as the franchise agreement between the Franchisor and Franchisee has been legally terminated.

(d) In the interest of providing fair impact rights, Franchisors should adopt a reasonable and unbiased formula to determine which of the brand name hotels within the Franchisor’s system are competing in the same marketplace. The formula for determining which hotels are competing in the same marketplace for purposes of determining impact rights should be based on objective market criteria developed and relied on by reputable national organizations, such as Smith Travel Research (STR).

(e) Upon receipt of an application for a proposed Facility, Franchisors should give written notice to Franchisees of all brand name hotels within the Franchisor’s system that are (i) competing in the same marketplace as the applicant’s proposed Facility -- even if these other hotels are not the same brand name as the applicant’s proposed Facility, and (ii) within a 15-mile radius of the proposed Facility.

(f) To the extent a Franchisee has a brand name hotel that is both (i) competing in the same marketplace as an applicant’s proposed Facility, and (ii) within a 15-mile radius of the proposed Facility, the Franchisor should permit such Franchisee to request an impact study, so long as the Franchisee(s) requesting the study have not been subject to a notice of termination within six (6) months of making the request.

(g) Any Franchisee who requests an impact study should be allowed to choose the person or company who will be conducting the study. The selection should be from a list of at least five (5) individuals or companies that have experience in the hospitality industry conducting such studies. The list should be jointly compiled and agreed upon by the Franchisor and the Franchise Advisory Councils for the various hotel brands.

(h) The costs of the impact study should be split equally between the Franchisor and the Franchisee(s) requesting the study (i.e., with the Franchisor paying 50%, and the Franchisee(s) requesting the study paying 50%), regardless of the outcome of the impact study.

(i) To the extent an impact study concludes that the applicant’s proposed Facility will result in an incremental impact of 3% or more on a Franchisee’s existing hotel during the first three (3) years of projections, Franchisors should respond by (a) denying the application for the proposed Facility, (b) offering the existing Franchisee a first right of licensing for the proposed Facility, and thereby allow the existing Franchisee an opportunity to open a Facility with the same or similar brand name in the same or a nearby location, (c) offering reduced rates to the existing Franchisee impacted by the proposed Facility, or (d) allowing the existing Franchisee to exit the system without paying LDs.

(j) If the impact study concludes that the applicant's proposed Facility will result in a less than 3% incremental impact on an existing Franchisee's hotel during the first three (3) years of projections, but within three (3) years after the opening date of the proposed Facility, the existing Franchisee is able to establish that it has, in fact, experienced an incremental impact of 3% or more on its hotel, the Franchisor should respond by (a) offering reduced rates to the Franchisee impacted by the new Facility, or (b) allowing the impacted Franchisee to exit the system without paying LDs.

POINT 3: MINIMUM PERFORMANCE & QUALITY GUARANTEES

Franchisors should issue minimum performance guarantees to Franchisees regarding the occupancy levels of their brand name hotels, and the number of reservations that will be delivered through the Franchisors' reservations systems. Franchisors also should commit to maintaining a certain level of quality in the franchise system, including, for example, the key characteristics of each brand name, the public image and reputation they will develop for each brand name, the minimum number of hotels they will maintain under each brand name, and the amount and type of advertising they will employ for each brand name. Thus, if a Franchisee's hotel is not able to maintain certain occupancy levels over a designated period of time as discussed in fair franchising Point 1 above, or if the Franchisor allows the quality of a particular brand name to decline, the Franchisee should be able to terminate the franchise agreement without penalty.

POINT 4: QUALITY ASSURANCE INSPECTIONS / GUEST SURVEYS

Franchisors should have the same standards for each of their Facilities operating under a specific brand name in the franchise system. Franchisors also should conduct their quality assurance (QA) inspections in a fair, reasonable and unbiased manner, and use their best efforts to prepare QA reports that are accurate and complete.

If a Franchisee fails a QA inspection and is given a punch list of items to repair, correct, or change, the Franchisee should strive to complete all of the items on the punch list in a timely manner. During the subsequent re-inspection of the Facility, the Franchisor should only seek to confirm that, in fact, the Franchisee has completed all of the items on the punch list. If so, the Franchisor should give the Franchisee a passing grade. During the re-inspection of the property, the Franchisor should not create an entirely new punch list of items that were not previously mentioned, or give the property a failing score for items that were not included on the original punch list.

In the event of a dispute concerning a QA inspection or low scores arising from guest survey cards, Franchisors should establish an appeals process whereby a Franchisee can appeal the decision of an inspector, or challenge the low scores it received from the guest survey cards. In connection with the appeals process, the Franchisee should be able to present evidence that it is in compliance with the standards of the hotel brand, or request that the director or supervisor of the Franchisor's quality assurance department personally visit the property and reinspect the Facility to ensure it is satisfying the necessary standards.

Commentary: Franchisors should use their best efforts to work with, educate, and train Franchisees who have received one or more failing QA inspections, or low scores arising from guest survey cards, to ensure the Franchisees understand and are doing whatever is necessary to cure the failing QA inspections and/or improve the scores, and thereby avoid problems in the future. In the interest of fair franchising, a Franchisor should not terminate a Facility based on one or more alleged failing QA inspections, or as a result of low scores from guest survey cards, unless and until each of the following has occurred:

- The Franchisor has thoroughly analyzed the facts and circumstances concerning the failing QA inspection reports, and/or the low scores from the guest survey cards, and evaluated whether there are any valid reasons why the property received such failing grades or negative comments on the survey cards at the time they were issued; and
- The Franchisee has been given a reasonable opportunity and an adequate amount of time to cure any failing QA scores, problems with the property, and/or improve the guest survey scores; and
- The director or supervisor of the Franchisor's QA department has personally visited the property, and has issued a written statement verifying that the Facility is not in compliance with the standards of the hotel brand and should be terminated.

POINT 5: VENDOR EXCLUSIVITY

In general, Franchisees should be free to buy conforming goods from any vendor, not just those mandated by the Franchisor. To the extent a Franchisor believes it is necessary to mandate vendors for the purpose of establishing standards and specifications for the hotel brands, the Franchisor should strive to ensure that the Franchisees are receiving competitive prices by providing a list of three (3) or more approved vendors from which Franchisees can purchase conforming goods, or by allowing the Franchisees to take advantage of the volume discounts arising from the Franchisees' group purchases of goods and services.

In addition, since the Franchisors receive a significant amount of revenues and commissions from the mandated vendors in return for requiring all Franchisees to purchase certain goods and services only from such vendors, Franchisors should return these revenues and commissions to the Franchisees for the good of the franchise system.

Commentary: In the interest of fair franchising, Franchisors should strive to ensure that the Franchisees are receiving competitive prices on all goods and services that they are required to purchase from mandated vendors. This can be accomplished in a variety of ways. For example, Franchisors should identify three or more approved vendors from whom Franchisees can purchase the goods or services. Franchisors also can pass on the volume discounts on prices arising from the purchasing power of the Franchisees.

Franchisors should not be allowed to pocket the entire amount of revenues and commissions they receive from mandated vendors in return for requiring all Franchisees to purchase certain goods and services from such vendors. Franchisors should retain only that amount of revenues and commissions as is necessary for the Franchisors to cover the administrative costs of managing the mandated vendor program. All other revenues, commissions and related benefits received from mandated vendors should be invested in programs that benefit the Franchisees, including allocating the money to marketing and advertising campaigns for the hotel brands, or reducing the Franchisees' royalty fees.

POINT 6: DISCLOSURE AND ACCOUNTABILITY

There should be greater Franchisor disclosure and accountability concerning the expenditure of marketing and reservation fees collected from Franchisees. On an annual basis, Franchisors should disclose how the marketing and reservation fees are spent, including identifying the specific products and services that are paid for with the fees. A Franchisor should not profit directly from the marketing and reservation fees it collects from the Franchisees, or use such fees to pay for marketing and advertising related to a Franchisor's sale of hotels.

Franchisors should have their books and records audited on an annual basis concerning the collection and disbursement of marketing and reservation fees, and should share the results of the audits with the Franchise Advisory Councils (FACs), or the designated audit committees of the FACs.

POINT 7: MAINTAINING RELATIONSHIPS WITH FRANCHISEES

Franchisors should strive to maintain and build on their relationships with the Franchisees by actively seeking feedback from the Franchisees themselves, and by working with the various councils and associations that represent the Franchisees, including the Franchise Advisory Councils (FACs) and AAHOA.

A. Franchise Advisory Councils

Franchisors should encourage and support the establishment of independent and democratic FACs, which are comprised of a representative group of Franchisees who are elected by the Franchisees themselves, and who can advise the Franchisor on matters of importance to the franchise system. At least six (6) months before implementing any changes to the franchise system, Franchisors should seek feedback from the FACs, and use their best efforts to follow the recommendations proposed by the FACs on such matters.

- ***Amenity Creep.*** Amenity creep is a recognized problem in the hotel industry, and Franchisees are concerned that they are not being heard on such issues. Franchisors should regularly seek input from the FACs concerning whether specific amenities should be added, eliminated or changed for the brand name hotels. Prior to mandating the addition of a new amenity, Franchisors should submit the issue for a vote to the Franchisees themselves, and obtain a 66% vote of approval from all Franchisees who vote on the matter.

- ***Marketing and Advertising.*** Franchisors should regularly seek input from the FACs concerning how best to market and advertise the various brand name hotels and their services. For example, Franchisors should consult with the FACs concerning the annual marketing and advertising budgets, the annual marketing and advertising plans, the format and scope of the directories of hotels in the franchise systems, the franchise system internet websites, and the operational plans for the franchise central reservation system. As discussed in Fair Franchising Point 6 above, there should be greater Franchisor disclosure and accountability concerning the expenditure of the marketing and reservation fees, including annual audits that are shared with the FACs or their audit committees.

B. AAHOA Relations

Franchisors should strive to work closely with AAHOA and its members to promote fairness in the franchise system, and to enhance their respective business interests. Franchisors also should seek ways in which they can (a) increase and improve their communications with AAHOA and its members, (b) obtain input and feedback from AAHOA and its members on issues concerning the franchise systems, and (c) educate and train AAHOA and its members on matters that will improve the individual hotels and strengthen the franchise system on a global basis. Franchisors should attempt to meet with AAHOA personnel on a regular basis to discuss these and other related issues that are of importance to the AAHOA Franchisee members.

• AAHOA Certificate in Hotel Ownership® (CHO)

The AAHOA Certificate in Hotel Ownership® (CHO) is an innovative professional development program specifically designed for hotel owners. The CHO program involves a comprehensive course listing of twelve modules developed by world class instructors. Attendees will complete two courses of their choosing under each module and will take a post-course exam. Franchisors should recognize and support the AAHOA Certificate in Hotel Ownership® (CHO) as a hospitality professional accreditation program, and CHO graduates should be given credit for successfully completing the CHO program in the same manner that, for example, the Certified Hotel Administrator (CHA) and Certified Lodging Managers (CLM) training courses have been supported and recognized by Franchisors in recent years.

Commentary: The CHO Program was designed to recognize and certify the expertise of AAHOA's member hotel owners, and is the first program of its kind in the country. The CHO program covers a variety of topics, including (1) Front Desk Operations & Reservations; (2) The Laws Of Inn Keeping; (3) Leadership; (4) Hotel Sales, Marketing & Public Relations; (5) Hotel Accounting & Business Ownership Structure; (6) Technology For The Lodging Industry; (7) Human Resource Management; and (8) Housekeeping, Laundry, Engineering & Maintenance. The CHO program has several recognized sponsors, including Best Western International, Inc., and was developed by Kapoor & Kapoor Hospitality, Inc.

POINT 8: DISPUTE RESOLUTION

In all franchise agreements, Franchisors and Franchisees should commit to establishing an independent and fair process for the resolution of any disputes concerning the terms of a franchise agreement itself, or the relationship between the parties. Specifically, Franchisors and Franchisees should agree in good faith to participate in an informal, in-person meeting between the authorized representatives of the parties in an attempt to resolve a dispute.

If the informal meeting is unsuccessful, the parties should agree to participate in a non-binding mediation, before a mediator who is neutral and mutually acceptable to the parties, including a mediator associated with the National Franchise Mediation Program.

If the mediation is unsuccessful, the dispute should not be submitted to binding arbitration unless and until all parties agree to do so, including mutually agreeing on the arbitrator who will hear the dispute, the location of the arbitration proceedings, and the corresponding rules and procedures for the arbitration.

Absent an agreement by the Franchisor and Franchisee to use binding arbitration to resolve their dispute, any party should be entitled to pursue its claims against another party in a court of law. There should be no waiver of the right to a jury trial by any party. There also should be no caps or limits on the amount of damages that a party can seek or recover against another party, including a cap or limit on the amount of punitive damages that can be recovered against a party as allowed by law.

POINT 9: VENUE AND CHOICE OF LAW CLAUSES

In the event a dispute between a Franchisor and Franchisee has not been resolved by participating in an informal, in-person meeting with authorized representatives from the parties, or by participating in mediation proceedings, the party pursuing its claims in a court of law should do so in the country and state in which the Page 8 of 10 subject Facility is located. Further, any lawsuit or claims should be governed by the laws of the country or state in which the lawsuit or claims are filed.

POINT 10: FRANCHISE SALES ETHICS AND PRACTICES

Franchisors should mandate fair and honest selling practices among their salespersons and agents.

Franchisors should use their best efforts to identify whether any of their sales agents, or any persons acting on behalf of the Franchisors, made any oral or written representations or promises to any Franchisee applicants, or reached any agreements with any Franchisee applicants, that are not contained in the proposed franchise agreements. To the extent any salespersons or agents made any oral or written representations or promises, or reached any agreements, with a Franchisee applicant, they should be set forth in writing and attached as an addendum to the particular franchise agreement.

Franchisors should include contractual provisions in their franchise agreements that grant a Franchisee all rights, title and interest in its own guest lists, and in all related information for guests that have stayed at the Franchisee's particular Facility, which survives the termination of the franchise agreement. Franchisors should not use any database developed from one hotel brand to market or sell their other hotel brands to the detriment of the Franchisees.

Franchisors and their salespersons and agents should not engage in the practice of "churning" properties, i.e., seeking the early termination of an older hotel on the basis of low quality assurance (QA) inspection scores or otherwise, so the Franchisor can then seek and approve an application for the conversion of a newer hotel, or the construction of a new hotel, with a particular brand name in the same geographic region or area of protection (AOP) as the older hotel for which the Franchisor is seeking an early termination.

Commentary: It is an unfortunate situation in franchising that many first-time or "rookie" Franchisee applicants do not fully understand that the salespersons or agents of the Franchisors will sometimes make oral representations or promises about the Facility, the franchise system, the franchise agreement or the License that are not included in the proposed franchise agreement. Regrettably, because these first-time Franchisee applicants trust and believe that the Franchisor's salespersons or agents will honor their oral representations and promises, the applicants do not carefully read the lengthy and sometimes complex franchise agreements to determine whether such representations and promises have been included in their own agreements.

In the interest of fair franchising, prior to the execution of the franchise agreement, a Franchisor should ask a Franchisee applicant to prepare a written document that identifies any oral or written representations or promises made by, or agreements reached with, the Franchisor, its sales agents, or any persons acting on behalf of the Franchisor, and that are not contained in the franchise agreement. This written document should be attached as an addendum or exhibit to the franchise agreement.

If the Franchisee applicant does not identify any such representations, promises or agreements, the Franchisor should ask the applicant to carefully review and initial the paragraphs in the franchise agreement which explicitly state that (1) neither the Franchisor nor any person acting on its behalf has made any representations or promises on which the applicant Franchisee is relying that are not written in the agreement, and (2) the agreement, together with the exhibits and schedules attached, is the entire agreement superseding all previous oral and written representations, agreements and understandings of the parties about the Facility, the franchise system, the franchise agreement and the License.

POINT 11: TRANSFERABILITY

In situations in which a Franchisee seeks to transfer its property to an unrelated third-party, the Franchisor should not delay, withhold its consent, or impose conditions on the transfer in an unreasonable, arbitrary or capricious manner. Transfer fees should be fair and reasonable (i.e., generally no more than $1,500), and based solely on the estimated administrative costs to process the transfer.

There should be no fees for a Franchisee’s transfer to a spouse, child, parent, sibling, niece, nephew, descendant, spouse’s descendant, or other family member, if the transferee is legally competent to assume the Franchisee’s obligations under the franchise agreement.

There also should be no transfer fees for a Franchisee’s buyout of other shareholders or partners who had an interest in the Facility, or for the addition of any shareholders or partners who will gain an interest in the Facility.

In the event of a requested transfer, Franchisors should not condition the granting of the request on a requirement that the Franchisee or new owner adopt an extensive renovation or modernization plan for the subject property. Any required renovations for the subject property in connection with a transfer should be limited to only those specific items identified in the last two (2) quality assurance (QA) inspection reports for the subject Facility that were issued prior to the requested transfer.

To the extent a Franchisor approves a requested transfer, the Franchisor should not seek liquidated damages (LDs) from the prior Franchisee, or seek any increased fees from the new Franchisee owner of the subject Facility, because the Franchisee sought to transfer its Facility prior to the scheduled termination date of its franchise agreement.

Within ten (10) days of the completion of an approved transfer of a subject Facility, Franchisors should automatically release the prior Franchisee from any and all obligations it had under the terminated franchise agreement, and provide it with a written letter of release in connection therewith.

POINT 12: SALE OF THE FRANCHISE SYSTEM HOTEL BRAND(S)

If a Franchisor sells one or more of its various hotel brands to another entity, the Franchisor should promptly give notice of the sale to its existing Franchisees, and pledge to work with them and the new Franchisor owner to ensure the transition is as smooth as possible. To the extent possible, the prior Franchisor owner also should continue to honor its guest loyalty or rewards programs for the guests who stayed at the hotels it is selling to the new Franchisor owner. Alternatively, the prior Franchisor owner selling the hotels should transfer the points or rewards earned by such guests to another existing guest loyalty program of the prior Franchisor owner, or a new program it establishes for the benefit of such guests.

The new Franchisor owner who purchased the hotel brand should similarly strive to ensure that the transition is a smooth one. Among other things, the new Franchisor owner should work closely with the existing Franchise Advisory Councils (FACs) for the hotel brand, or, if circumstances warrant, a newly-created FAC, to address all issues involving its purchase and ownership of the hotel brand. The new Franchisor owner should maintain the same or a higher level of quality and performance for the hotel brand as the prior Franchisor owner.

To the extent a new Franchisor owner desires to change any system requirements for the hotel brand, it should work closely with the FACs and the franchisees themselves before implementing any such changes, and offer to pay or reimburse the Franchisees for the costs of making such changes. The new Franchisor owner also should honor the guest loyalty or rewards programs for the guests who stayed at the hotels it is purchasing. Alternatively, the new Franchisor owner should transfer the points or rewards earned by such guests to another existing guest loyalty program of the new Franchisor owner, or a new program it establishes for the benefit of such guests.